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SUBJECT: Tasmania: Controversial Pulp Mill Granted Extension

Ref: A) 08 Melbourne 149, B) 08 Melbourne 144

Summary

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11. (SBU) On January 5, federal Environment Minister Peter Garrett granted Gunns Ltd an additional 26 months to overcome ecosystem concerns surrounding its Tasmanian pulp mill. While financing the A\$2.2 billion (US\$1.57 billion) project is likely to be the more significant obstacle, the extension means that the controversial pulp mill may again become an important issue in both the 2010 federal and Tasmanian state elections. The announcement is also further evidence that the Rudd government is focused on the economy, even if that means offending environmental groups. End Summary.

Conditional Approval Still Faces Important Obstacles

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12. (SBU) Australian media widely reported on January 5 that federal Environment Minister Peter Garrett granted logging company Gunns Ltd a conditional approval to move ahead with its planned pulp mill in Tasmania. Before opening the mill doors, however, Gunns must overcome two obstacles. First, it must submit further reports to the federal government by March 2010 on the run-off impact of the mill on the nearby Bass Strait's marine ecosystem. Gunns' chief executive publicly stated that the additional studies will be completed within 15 months. Second, and perhaps more significantly, Gunns must secure financing to the tune of A\$2.2 billion (US\$1.57 billion). Tasmania-based contacts believe that obtaining financing in a market characterized by depressed pulp prices and tight credit will prove to be the mill's largest challenge. Uncertainty over environmental approvals will no doubt add to Gunns' financing woes.

13. (SBU) Greens Senator Christine Milne publicly criticized Garrett's decision, claiming that he did not have the authority to grant even a conditional approval without first knowing the full environmental impact of the mill. Other environmental groups complained that the conditional approval will extend a costly period of uncertainty in the Tasmanian economy. During an introductory visit to Tasmania in early December by Consul General, both Premier David Bartlett (Labor) and Leader of the Opposition Will Hodgman (Liberal) touted the mill's economic benefits (reftels). Only Tasmanian Greens leader Nick McKim opposed the mill, but noted that he might change his position if Gunns agreed to refrain from old-growth harvesting.

Comment

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14. (SBU) Garrett's decision to grant Gunns additional time to procure environmental approvals pushes final decision on the controversial mill into the next federal and state elections. In the 2004 federal elections, the Liberal Party won northern Tasmania's two swing seats by championing jobs over the environment. The Australian Labor Party won these two federal seats in 2007 after it backed the pulp mill. Garrett's January 5 announcement means that the Gunns mill will likely figure largely again in the

2010 federal elections as well as in the state elections where the mill has become shorthand for a broader environmental debate.

¶5. (SBU) Comment continued: The decision to delay approval of the mill pending further evaluation illustrates not just the classic employment vs. environment conflict (the mill is a huge investment relative to the size of Tasmania's economy), but also highlights the pressures on Environment Minister Garrett who is known as a former die-hard environmentalist. With frustration over the Rudd government's climate change white paper still lingering in recent memory, the January 5 decision is further evidence that the Rudd government is focused on the economy, even at the expense of further alienating environmental groups.

GRANT